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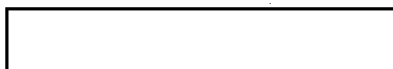
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GREECE

The government's purge of the armed forces is causing major morale problems and increased unrest, as well as some friction within the government itself.

Fifty-eight army and air force generals and four naval flag officers have been retired in the past two days. Some clearly were retired because of their involvement in the military conspiracy uncovered last week or because of their past service to the junta; others appear to have been chosen for professional reasons. The government has now completed its review of the loyalty and competence of high-ranking officers and will begin examining the cases of those of lower ranks.

The shake-up has caused widespread anxiety within the armed forces. After seven years of military rule, nearly all officers feel vulnerable to charges that they supported the junta. The constant reshuffle of the top leadership has created confusion in the command structure, and the recall to high positions of officers who had been cashiered by the junta reportedly has increased factionalism within the army.

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The government is aware of the unrest within the armed forces. Its decision yesterday to postpone the

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prosecution of those former leaders who were connected with the coup in Cyprus last July was clearly a conciliatory gesture toward the military. The decision may mean that government leaders are attempting to resolve some of their own differences.

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EGYPT

The Bulletin today presents the major conclusions from a recent interagency memorandum on gaps in Egypt's military inventory and their effects on its capability to wage war.

Egypt's overall military capabilities today are somewhat less than prior to the October war. The army is nearly up to its prewar armored strength, but shortages of certain major military equipment still exist. This is particularly true of aircraft, of which Egypt has about only 70 percent of its prewar inventory.

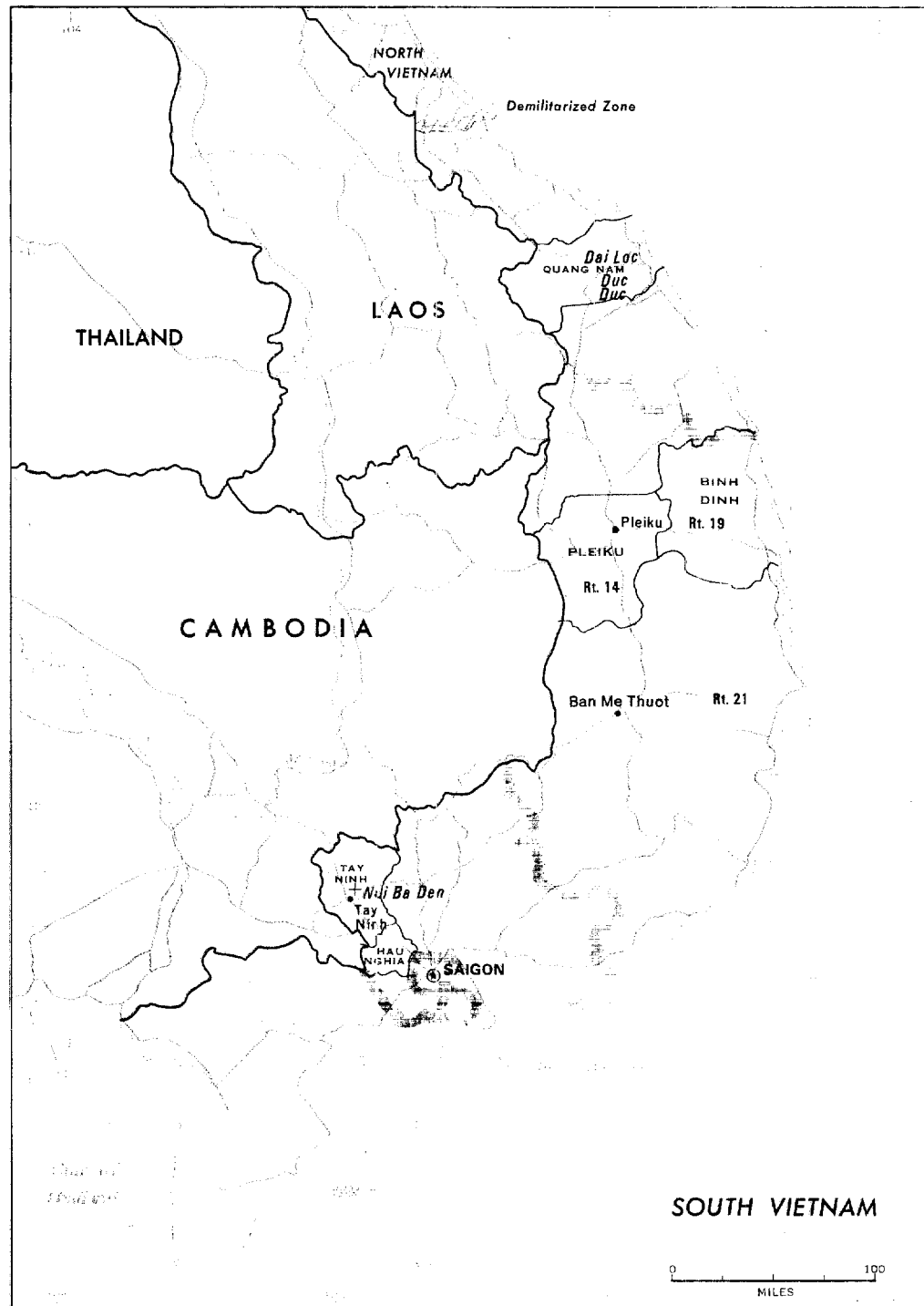
In relation to Israel, Egypt's armed forces are weaker than in October 1973 because of the significant increase in Israeli inventories and capabilities. Thus, Egypt probably would have to rely on joint military action with Syria to a greater degree than in the October war.

Despite these shortages, Egypt's armed forces are estimated to be capable of a strong defense against an Israeli attack or of mounting a major offensive of short duration in the Sinai. Although there is little information on Egypt's stockpiles of ammunition and spare parts, Cairo probably could not sustain major military action without additional Soviet resupply.

The recent deliveries of Soviet aircraft and other military equipment--believed to be under prewar contracts--have not been sufficient to restore Egypt's war losses. The prospects for the full-scale resumption of Soviet military aid to Egypt are uncertain, but President Sadat will feel less need for such aid if he can negotiate a satisfactory new disengagement agreement with Israel. As an alternative to renewed Soviet aid, Egypt's purchases of Western arms will improve its capabilities gradually over several years, but not for the near term. During this period, Egypt will continue to be dependent on Soviet and East European supply of spares and ammunition to maintain its current level of combat readiness.

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VIETNAM

Heavy fighting continues in the central highlands, amid indications that intensified combat will soon break out in other sections of the country. Government forces in Quang Nam Province also have come under heavy artillery attack, forcing some pullback of units from lowland areas in Duc Duc and Dai Loc districts.

Government counterattacks are under way at both ends of Route 19 in Pleiku and Binh Dinh provinces. Some positions guarding the highway apparently have been retaken, but the road remains interdicted at several points, and North Vietnamese resistance to the government attacks has been intense near some of the strategic mountain passes. Communist troops are fighting from well-entrenched positions, and government commanders estimate that it could take them as long as a month to resecure the highway.

Communist forces also have cut Route 14 south of Pleiku City and Route 21 leading in from the coast to the southern highlands capital of Ban Me Thuot. South Vietnamese counterattacks are under way along these routes, but the interdiction of the highways has isolated Pleiku City from land resupply. There are sufficient military stocks in the highlands to keep military units adequately supplied for an extended period, but government commanders are concerned about the effects that a prolonged interdiction of the highways would have on civilian requirements and morale.

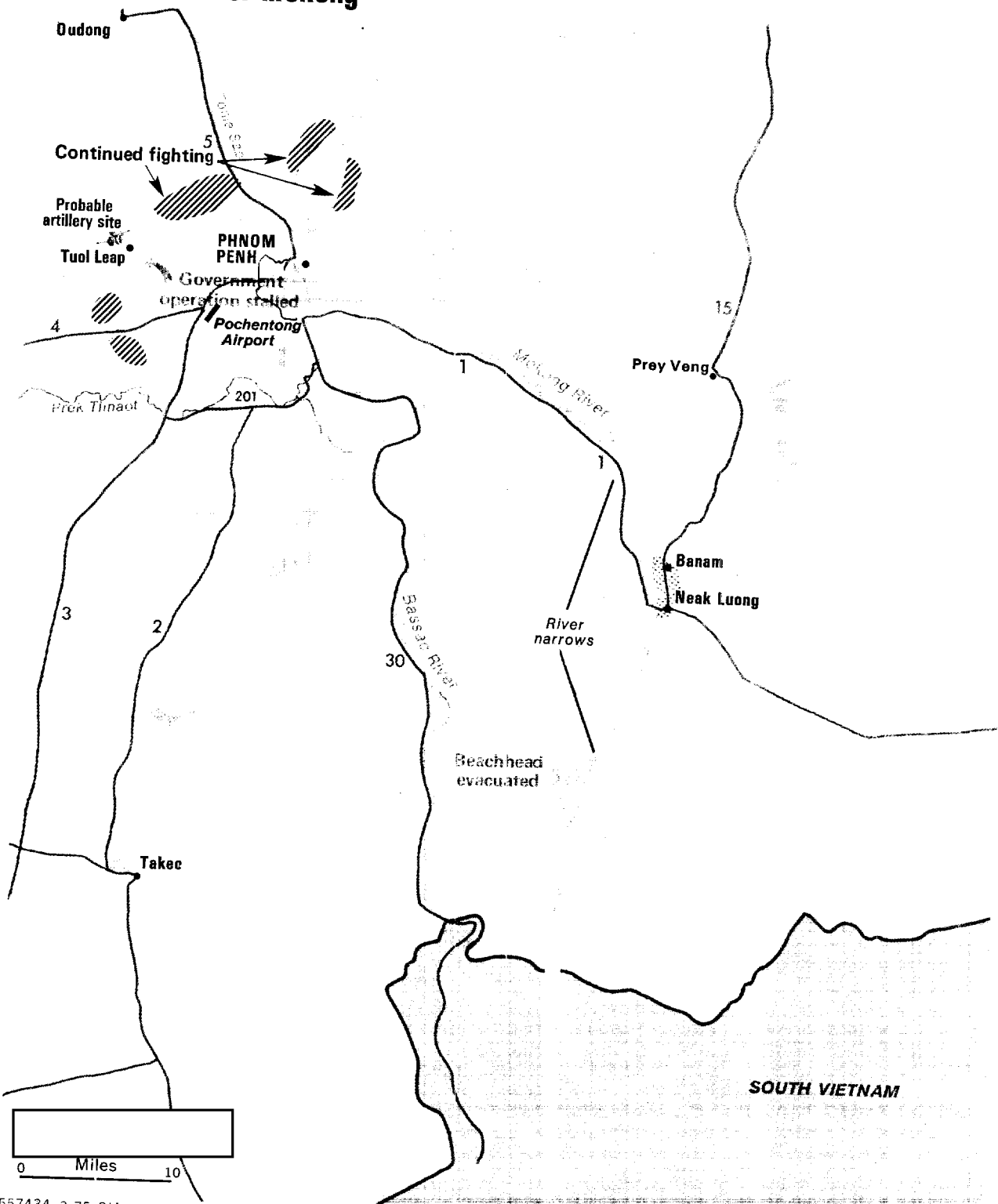
In the provinces around Saigon and in the delta, senior South Vietnamese officials are predicting that a new round of fighting is about to commence. The government's 25th Division appears close to recapturing strategic Nui Ba Den (Black Virgin Mountain) in Tay Ninh Province. Resistance to the government's operation has been light

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Cambodia: Lower Mekong



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CAMBODIA*

The Lon Nol government's prospects for survival remain bleak. Khmer Communist ground forces are maintaining steady pressure on Phnom Penh's outer defenses in the west, north, and east. The city and Pochentong airport remain the target of daily shelling attacks, which briefly interrupted the US airlift on March 5. In the Mekong River corridor, the government's abandonment of a beachhead along the lower reaches of the river yesterday has reduced its holding to the enclave around Banam and the Neak Luong navy base, which itself is under heavy pressure.

Military leaders have delayed further efforts to reopen the Mekong in order to concentrate resources on the defense of Phnom Penh. The immediate government objective is to eliminate the threat to Pochentong airport and ensure the continuation of the airlift. A major operation is under way to retake the town of Tuol Leap--some six miles northwest of Pochentong--and to eliminate insurgent rocket and artillery positions in the area. The operation is meeting heavy resistance from a large insurgent force in the Tuol Leap area and probably will continue to progress slowly. The Communists--even with their limited number of howitzers--may be able to damage aircraft and facilities at Pochentong to such a degree that airlift operations will become difficult or impossible.

Given the already considerable public unease and the growing sentiment for an end to the war at any cost, we believe any significant interruptions of the airlift

**Note: With the dissolution of the Watch Committee, the Bulletin is publishing, as developments warrant, intelligence community assessments of ongoing situations that are of major policy concern but do not fall within the purview of the new Strategic Warning Staff, which will focus on the USSR, China, North Korea, and Warsaw Pact Forces.*

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would have a devastating effect on popular and government morale. Phnom Penh has about a four-week supply of ammunition, but only a two-week supply of rice and fuel. An extended closure of the airport would probably push the government's will to resist beyond the breaking point well before stocks actually run out.

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LIBYA

For the first time in many years, Libya is having trouble making ends meet. Oil price cuts have been too little and too late to offset falling tanker rates and reduced demand for low-sulfur crude.

Oil production fell sharply from 2 million barrels per day in January 1974 to 1 million barrels per day in December. Average oil receipts fell last year from \$12.65 to \$11.25 per barrel as Libya strove to compete with Persian Gulf suppliers. Late in the year, revenues began to lag behind current expenditures, and Tripoli drew down its foreign exchange reserves by more than \$200 million during November and December.

Although oil revenues remain depressed, Tripoli shows no sign of restraining foreign exchange expenditures to conserve reserves. The newly released 1975 development budget--the largest budget ever scheduled by the Qadhafi government--calls for a 50-percent increase in expenditures. Large arms purchases are on the books, and there are no indications that Qadhafi's erratic aid program will be modified.

Libya's efforts to increase foreign exchange receipts remain focused on raising its oil sales. Following reductions of sulfur and freight premiums on January 1, the government further cut prices on lower grade crude oils in February. Moreover, the Libyan National Oil Company has been shaving prices of its independently produced oil even below prices charged the oil companies.

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Package oil deals and price shaving have enabled the National Oil Company to raise its independent production significantly since the third quarter of 1974, but total production has been fairly constant. The oil companies that market almost 90 percent of Libyan output still maintain that large price reductions are necessary to a boost in sales.

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FOR THE RECORD

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Portugal: Left-wing extremists have again disrupted a political meeting staged by one of the centrist parties. According to press reports, 16 people were injured last night when extremists attacked supporters of the center-left Popular Democratic Party in Setubal, a port city near Lisbon. Leftists have been interfering with political meetings of the centrist parties since January, but last night's incident was the first in which there were personal injuries as a result of the extremists' acts.

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